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SUBJECT: UNIONS THREATEN RUDD'S INFLATION FIGHT

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¶1. (SBU) SUMMARY: There are signs that labor unions in Australia are becoming impatient with the wall-to-wall Federal and state Australian Labor Party (ALP) governments. While the Australian Council of Trade Unions (ACTU) and some of the larger unions have tried to work with the Rudd Government as it embarks on its battle against inflation (reftel), individual unions appear increasingly less prepared to let the Rudd Government fight inflation at their expense. The teachers union in the state of Victoria last week won a 17.8 percent pay rise over four years and many other public and private sector unions are demanding large wage increases. Union demands for big wage increases are exactly what the Rudd Government hopes to avoid as it prepares to release its inflation-fighting budget on May 13. To make matters worse, a coalition of Australia's most powerful unions has launched a campaign for the Rudd government to immediately abolish a Howard government watchdog body set up to crack down on unlawful union activity in the construction industry. Adding to the tension between the ALP and the union movement, the New South Wales (NSW) government is proceeding with a program of electricity privatization despite the vehement opposition of the state's unions (see Sydney septel). END SUMMARY.

"WE WANT OUR MONEY"

¶2. (U) The teachers union in the state of Victoria last week announced a 17.8 percent pay rise over four years, with the most experienced teachers receiving an immediate 15.2 percent increase. The Victorian Trades Hall Council secretary told the press May 7 that the teachers' agreement exemplified the type of "catch-up increases" the unions now want under Prime Minister Rudd. He explained that he backed wage claims that go beyond inflation because it is "not only to compensate for inflation but also to compensate for the restriction on the ability you had for decent wages under the previous government."

¶3. (SBU) The Rudd government, like the Howard government before it, has reaffirmed that pay claims should be based only on productivity and bargaining at the enterprise level. The unions, however, appear emboldened by the election of a Federal ALP government. In addition to the Victorian teachers, public sector workers in Tasmania, Western Australia, and Queensland are also pushing for substantial pay rises. The teachers' contract in NSW expires in January. The union that represents construction workers, the Construction Forestry Energy and Mining Union (CFMEU), has said it will push for wage increases above inflation when its contracts expire and the waterfront union in Western Australia, the MUA, is asking for pay parity with its east coast counterparts.

UNION PROBLEMS IN NSW

¶4. (SBU) The union movement in NSW is incensed that the NSW

government is pursuing privatization of the state's electricity sector. At the NSW ALP conference on May 3-4, delegates (50 percent of whom are chosen by affiliated unions) voted 7:1 against the move, but the Premier stood firm, and received the backing of state Labor MPs in his cause. The story is not over, however, because defying the will of the rank-and-file of the party is deemed heresy by ALP traditionalists. (See Sydney septel)

UNIONS WANT RUDD TO BREAK ELECTION PROMISE

15. (SBU) On May 6, a coalition of unions including three of the most powerful - the Australian Workers Union (AWU), the CFMEU, and the Australian Manufacturing Workers Union - QCFMEU, and the Australian Manufacturing Workers Union - launched a campaign to abolish the Australian Building and Construction Commission (ABCC). The ABCC is a watchdog body set up by the Howard government to stamp out illegal union practices in the construction industry. The unions believe it is unfair that that only one sector of workers has been targeted and they maintain that "as long as these laws are in place, the era of WorkChoices will continue." Rudd, however, went to the election promising to retain the ABCC until 2010, and he has made it clear he intends to keep his election promises.

WILL CARBON EMISSIONS CUTS COST JOBS?

16. (SBU) Organized labor, and particularly the coal mining unions, supported the ALP's policy on cutting greenhouse gas emissions during the election, and maintain that they still back the Government's plan to significantly reduce emissions. Until now, the unions have accepted without argument the ALP

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claim that clean coal technology will allow Australian utilities to still burn coal to generate power. But union acquiescence on carbon emission cuts may be ending. On May 7, the AWU warned that 20,000 jobs in the aluminum industry alone could be lost to China if the Rudd government does not take a "balanced" approach to reducing greenhouse gas emissions.

THERE IS NO ACCORD NOW

17. COMMENT: (SBU) Ironically, although union representation in the Australian workforce is now below 20 percent, it will be harder for the Rudd Government to control wage increases. Under the previous ALP government (1983-1996), when unions were a much bigger part of the workforce, the ALP and the ACTU had an "accord" on wages, which limited increases. There is no national accord now. Given the unions' pent up demands, and the rising discord with the ALP on issues such as privatization and climate change, organized labor may be in no mood to help the Rudd Government on inflation. And despite their smaller share of the workforce, the very tight labor market with very low unemployment rates and record-high levels of participation in the labor force is making the unions more bold in a sellers' market for labor.

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